Truffle SCI* SA Equity Fund C Class

Minimum Disclosure Document

As of 30/06/2021

Truffle Asset Management

MDD Issue Date: 19/07/2021

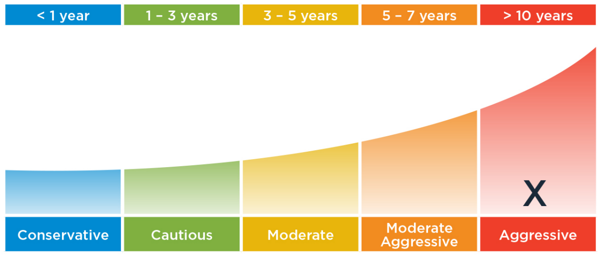
Fund Objective

The primary objective of the portfolio is to maximise capital growth in the longer term, in pursuit of outperforming the FTSE/JSE Capped Shareholder Weighted Index (SWIX) over a rolling 3 year period.

Fund Strategy

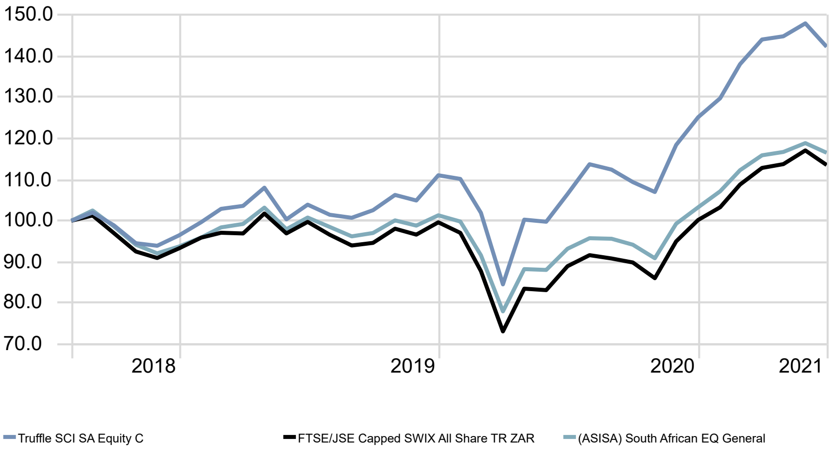
In reaching the investment objective, the manager remains cognisant of the construction of the weightings of the instruments in the FTSE/JSE Capped Shareholder Weighted Index (SWIX) and shall take active positions in the underlying securities of the aforementioned index relative to their individual weightings composing the index. The portfolio will invest a minimum of 90% of the market value of the portfolio in equities at all times. The manager may from time to time invest in participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa. The portfolio will also be allowed to invest in listed and unlisted financial instruments (derivatives) as allowed by the Act from time to time. The manager may also include forward currency interest rate and exchange rate swap transactions, for efficient portfolio management purposes. The Manager shall not be permitted to invest in offshore investments.

Risk Profile



Investment Growth

Time Period: 02/08/2018 to 30/06/2021



Fund Information

Ticker	TSCEFC
Portfolio Manager	Iain Power, Saul Miller, Nicole Agar & Sophié-Marié van Garderen
ASISA Fund Classification	South African - Equity - General
Risk Profile	Aggressive
Benchmark	FTSE/JSE Capped Shareholder Weighted Index
Fund Size	R 4,142,937,498
Portfolio Launch Date	27/07/2012
Fee Class Launch Date	01/08/2018
Minimum Lump Sum Investment	R 10,000
Minimum Monthly Investment	R 500
Income Declaration Date	June & December
Income Payment Date	1st business day of July & January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media & www.sanlamunittrusts.co.za
Repurchase Period	2-3 business days

Annualised Performance (%)

	Fund	Benchmark
1 Year	33.55	27.60
Since Inception	12.85	4.45

Risk Statistics 3 Year Rolling**

Standard Deviation
Sharpe Ratio
Information Ratio
Maximum Drawdown

Fees (Incl. VAT)

Fees (Incl. VAT)	C-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.86
Total Expense Ratio	0.85
Transaction Cost	0.64
Total Investment Charges	1.49
TER Measurement Period	01 August 2018 - 31 March 2021

Cumulative Performance (%)

	Fund	Benchmark
1 Year	33.55	27.60
Since Inception	42.20	13.52

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2020

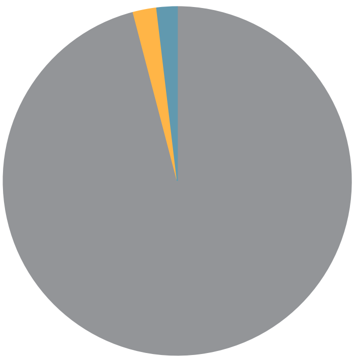
Highest Annual %	15.09
Lowest Annual %	12.69

Top Ten Holdings as at 30/06/2021

Holding	(%)
Naspers Ltd	8.99
Absa Group Ltd	6.14
Impala Platinum Holdings Ltd	5.59
Sibanye Stillwater Ltd	5.40
Standard Bank Group Ltd	4.88
Bid Corporation Ltd	4.25
Firstrand Ltd	4.22
Sasol Ltd	4.22
Glencore Plc	3.97
Remgro Ltd	3.10

Asset Allocation

Portfolio Date: 30/06/2021



	%
Domestic Equity	95.92
Domestic Property	2.19
Domestic Cash	1.89
Total	**100.00**

*** SCI is an abbreviation for Sanlam Collective Investments.**

****The risk statistics figures will become available once sufficient performance history has been met.**

Administered by

Sanlam

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Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	3.67	6.38	4.34	0.54	2.17	-3.85							13.65
2020	-0.80	-7.47	-17.04	18.58	-0.51	6.74	6.79	-1.15	-2.69	-2.20	10.68	5.68	12.69
2019	3.30	3.24	0.70	4.27	-7.12	3.56	-2.36	-0.72	1.82	3.62	-1.27	5.84	15.09
2018									-3.04	-4.39	-0.66	2.71	

Distribution History (Cents Per Unit)

30/06/2021	3.10 cpu	30/06/2019	2.34 cpu
31/12/2020	0.80 cpu	31/12/2018	2.67 cpu
30/06/2020	1.90 cpu		
31/12/2019	2.80 cpu		

Glossary Terms

Annualised Returns
Annualised return is the weighted average compound growth rate over the period measured.

Asset Allocation
Asset allocation is the percentage holding in different asset classes (i.e. equities, bonds, property, etc.). It is used to determine the level of diversification in a portfolio.

Distributions
The income that is generated from an investment and given to investors through monthly, quarterly, bi-annual or annual distribution pay-outs.

Information Ratio
The Information Ratio measures the market risk-adjusted performance of an investment or portfolio. The greater a portfolio's Information Ratio, the better its risk-adjusted performance has been compared to the market in general.

Maximum Drawdown
The maximum drawdown measures the highest peak to trough loss experienced by the fund.

Sharpe Ratio
The Sharpe Ratio measures total risk-adjusted performance of an investment or portfolio. It measures the amount of risk associated with the returns generated by the portfolio and indicates whether a portfolio's returns are due to excessive risk or not. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been (i.e. a higher return with a contained risk profile, where the portfolio manager is not taking excessive risk to achieve those returns).

Standard Deviation
Standard deviation (also called monthly volatility) is a measure of how much returns on an investment change from month to month. It is typically used by investors to gauge the volatility expected of an investment.

Total Expense Ratio
Total Expense Ratio (TER) is the percentage value of the Financial Product that was incurred as expenses relating to the administration of the Financial Product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's.

Total Investment Charges
Total Investment Charges (TER + TC) is the total percentage value of the Financial Product that was incurred as costs relating to the investment of the Financial Product.

Transaction Cost
Transaction Cost (TC) is the percentage value of the Financial Product that was incurred as costs relating to the buying and selling of the assets underlying the Financial Product. Transaction Costs are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

Additional Information

Investment Manager Information
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Portfolio Manager Comment

As at 30 June 2021

Economic Overview

The carnage of the 3rd Covid wave in South Africa has tragically surpassed expectations

The prevalence and severity of the disease have now left almost no South African unscathed, be it directly or via friends and family. Although the economy as a whole is on track for recovery, parts of it, especially the service sector, will once again struggle. We sincerely hope that the vaccine rollouts reach an accelerated trajectory which brings South African vaccination rates in line with the rest of the world at the very least. Current rates suggest this is now likely since vaccines to the 50–59-year age group opened. Tragically, the human cost over the next month is unlikely to be averted. We sincerely hope that you and your families are managing through these callous times.

South Africa continues on the path of economic reforms and corruption clamp downs

In a significant judgment, former president Jacob Zuma has been found guilty of being in contempt of court by the Constitutional Court and sentenced to 15 months in jail. Several meaningful economic reforms have also occurred over the last month, with the most noteworthy being an increase in the self-generation power limit. It remains to be seen whether the Independent Power Providers (IPP's) will also be allowed to provide renewable power supply instead of it only being permissible for individual companies to self-provide. The former will be a far more efficient and wide-reaching outcome. This decision requires the approval of the Minister of Minerals and Resources. Either way, additional investment and reduced load shedding will be positive for the economy. The full details of the SAA part-privatisation and the port operation separation from Transnet are still to be disclosed, but both steps are positive.

The South African savings rate has reached an 11-year high as households and corporates have been hesitant to spend amid the uncertain environment, which should help consumption expenditure. We further anticipate that capital expenditure will pick up from current depressed levels and help drive GDP growth. This could be through government/ private partnerships on infrastructure, power generation and mining capex, which we expect to rise meaningfully over the next few years. Higher commodity prices will benefit the current account deficit and the budget deficit via higher tax receipts. These factors, coupled with reasonable valuations for domestic shares compared to other regions of the world, have led us to increase our exposure to domestically exposed businesses. However, South Africa's structural issues and an increased likelihood of entering a risk-off environment will continue to temper the extent to which we pivot our portfolios towards the domestic economy.

Commodity prices remain elevated

Speculative positioning in metals remain elevated, and most spot prices are well above the highest cost miners' costs. Furthermore, most of these markets could be in oversupply in the next 2 years. However, the medium to long-term dynamics are better for some metals: Copper's fundamentals remain positive as it will be required for the future buildout of renewable infrastructure. Views vary as to the extent and timing of deficits in copper, but the risks of deficits seem to increase as we look further into the future. Oil prices are far less elevated and should benefit from the continued reopening of the global economy. Palladium and Rhodium prices, although high, should find support from limited new supply and improved demand from the Automotive sector once the semiconductor chip shortage is addressed. Deficits will likely persist over the medium term.

At least to some extent, mining companies are pricing in the current elevated level of commodity prices. However, as there is a reasonably high correlation between miners' share prices and what they mine, the risk of share price underperformance, at least in the short term, is significant should commodity prices fall. As a result, we somewhat reduced our overweight exposure to the mining sector. We remain overweight, but primarily via the PGM sector, where spot valuations are the cheapest (Impala and Sibanye Stillwater trade on PEs of circa 4X), and short to medium-term deficits are more likely than for other commodities.

US bond yields retreat on the back of more hawkish Fed guidance - we think this is temporary

The Fed governor recently suggested that rate hikes could happen sooner than guided to which caused short-dated bond yields to rise, but 10-year bond yields reduced from 1.59% to 1.47%. This move in the 10-year bond was due to now lower expected long-run inflation expectations, presumably due to the Fed's tougher stance on inflation. US bond yields are often seen as a bellwether for economic prospects, especially relative to short-term rates. Hence, the recent fall in 10 -year yields, both in an absolute sense and relative to short-term rates, seems to have spooked more cyclical and 'value' type shares with the Vanguard value index underperforming the Vanguard growth index by over 7% in June.

We think this move is temporary and that bond yields should rise higher. Whilst many factors driving the short-term inflation spike of 3.8% in core CPI will be transitory (like supply chain bottlenecks and elevated commodity prices), other factors are not. The government, through stimulus, has produced an increase in savings which is likely to translate into higher demand at some stage. Budget deficits are forecast for several years, also keeping demand elevated. However, the productive capacity or the supply of goods has not meaningfully changed. Hence, economies will be closer to or above full capacity, which should heighten medium-term inflationary pressures. As a result, we think the expected inflation embedded in bond yields is more likely to widen going forward. We also believe that with growth returning to the global economy, the sizable negative real yields are not justified and should ultimately rise into positive territory. If inflation turns out to be more moderate, inflation-linked bondholders should require at least a positive real return from their bonds. Bond yields should rise via higher inflation expectations or higher real rates.

The risk of a 'risk-off' environment is increasing

Besides our own internal economic and political considerations, global macro considerations also influence SA share price performance. A number of potential global headwinds could lead to what is termed a 'risk-off' environment. This is when investors turn away from what is considered risky, like emerging markets of which SA is a part, favouring the US market and the dollar. Going into Covid, the collapse in bond yields helped markets rebound. The subsequent moderate rise in yields was offset by a rapid increase in earnings expectations, further boosting markets. Earnings expectations have risen to above pre-Covid levels in some regions like the US and may well not keep pace with interest rate increases going forward. This will put pressure on markets and investor risk appetite. Furthermore, as mentioned earlier, commodity prices are elevated. Falling commodity prices are associated with emerging market outflows.

Mitigating this somewhat is that South Africa is predominantly exposed to PGMs, iron ore and coal. Provided PGMs and coal prices remain reasonably buoyant, the fiscus and terms of trade should continue to benefit. Additionally, SA exposed companies are mostly trading in line with or below their historic valuations on single-digit and low teens PE ratios i.e., they have not benefited from the global low interest rate environment. Although domestically exposed shares may sell off in a risk-off environment, their valuations should provide protection over the medium term.

Portfolio Positioning

Contributors and detractors to performance

A recovery in the South African economy and improved earnings from domestically exposed companies added to performance via our holdings in Pepkor, ABSA, MMI Holdings, Vukile Property Fund and Bidvest. Our underweight position in Naspers / Prosus contributed to performance as Tencent came under pressure and the market poorly received the new proposed Naspers/Prosus structure. Bidcorp benefited from an opening of the global economy.

PGM miners underperformed as the PGM basket price pulled back from fairly elevated levels and detracted from performance. Underweights in some domestically exposed counters, including Nedbank, Foschini, Sanlam and Capitec, detracted from performance. MTN performed well due to better-than-expected results and an increased likelihood of a more rapid reduction in their debt levels. Richemont performed strongly over the quarter as the global economy continued to open up; however, we remain underweight due to its high valuation.

Positioning

We increased our exposure to Glencore and Sasol. They were trading on compelling valuations, and energy pricing is not as extended as some metals like iron ore. We reduced the extent of our overweight in PGMs on valuation grounds and due to the PGM basket being overly extended. We increased our exposure to cheap domestically exposed banks and industrials like Bidvest. We reduced our exposure to several shares that reached fair value, including Growthpoint Properties, Life Healthcare, Anheuser-Busch and Shoprite Holdings. We reduced our British American Tobacco holding to fund some of these purchases.

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